PENSIONS
INVESTMENTS
LIFE INSURANCE

Irish Life

HOW YOUR PENSION IS TAXED AT RETIREMENT

We know that the tax treatment of pensions can sometimes be difficult to understand. The Revenue Commissioners provide income tax relief for pensions when you are saving for retirement. However, there are also some taxes that have to be paid on pension income you receive once you've retired.

This flyer explains in the simplest terms possible how pensions are taxed at retirement, to help you make sure your pension is taxed correctly and that you are benefiting from any tax credits you may have.

TAX MUST BE PAID ON RETIREMENT INCOME

Retirement income is treated like normal income so income tax must be paid on it. Retirement income includes:

- Guaranteed income for life – also called an annuity.
- Withdrawals made from an Approved Retirement Fund (ARF) or an Approved Minimum Retirement Fund (AMRF).
- Withdrawals from a Vested PRSA.
- Taxable Cash Payments.
- Trivial Pension Payments.

IMPORTANT – ENSURE YOUR PENSION IS TAXED CORRECTLY!

The Revenue Commissioners can tell you the correct rate of income tax that you should pay on your pension. We are obliged to deduct income tax at the highest rate (currently 40% as at April 2017) until we receive a Tax Credit Certificate from the Revenue Commissioners to tell us what rate we should deduct from your pension income. This means you may miss out on any tax credits or the standard rate cut-off point you may have.

WHAT IS A TAX CREDIT?

You are entitled to tax credits depending on your personal circumstances. Tax credits are used to reduce the tax liability on your income.

WHAT IS STANDARD RATE CUT-OFF POINT?

The cut-off point shows the amount of income that you can receive at the lower rate of tax currently 20%. You pay tax at 40% on any income above that point.

IMPORTANT

Tax details are applied to payments on a monthly basis. This means that unless a payment is made in December, it won't receive the benefit of the full year's tax credits or cut-off point. Tax certificates are generally issued on what is called a cumulative basis. This means that any unused tax credits in one month carry forward to the next month. For example, if a customer requests a payment in September and has received no payments in the current tax year, we would then apply nine months tax credits to the payment.

If no allocation is made we must deduct tax at the higher rate. We will issue a P60 in February each year in respect of the previous tax year. You will need this to reclaim any tax over-deducted from the Revenue. If your plans are fully claimed during the year, we will issue a P45.

To ensure your pension is taxed correctly, you must:

1. Contact your local Revenue office (see the list of the regional office numbers below)
2. Give them your PPS Number
3. Ask them to allocate any unused tax credits or cut-off point you have to Irish Life
4. Tell them what tax reference number you want this allocated to. You should choose the tax reference number below for the type of pension benefit you have:

Taxable Cash/Trivial Payment

For a once off taxable cash or trivial payment (subject to certain criteria), tax credits should be allocated to Irish Life (ARF Payments) under tax reference number 4820009C.

ARF/AMRF/Vested PRSA

For ARF, AMRF or Vested PRSA withdrawals and other taxable payments (subject to certain criteria), tax credits should be allocated to tax reference number 4820009C.

Annuities

For a regular Annuity Payment, tax credits should be allocated to Irish Life (Pension Payments) under tax reference number 0087900D.

PRSI

You do not have to pay PRSI on annuity payments (guaranteed income for life). However AMRFs, ARFs, Vested PRSAs, trivial pension and taxable cash payments are liable to PRSI Class S (currently 4%) until age 66.

The number of PRSI weeks allocated will be based on the number of PRSI weeks in the payroll period that the payment is made. In order to obtain 52 weeks over the year, you must receive 12 monthly payments.

UNIVERSAL SOCIAL CHARGE

The Universal Social Charge (USC) is calculated based on the full withdrawal amount. Depending on your personal circumstances, individual USC rates may apply. These are provided by Revenue and are shown on your tax certificate. In the absence of a valid tax certificate, USC will be charged at the higher rate (currently 8%). Therefore, it is important to discuss this matter with your local Revenue office.

You can contact your local Revenue office by phoning them on the LoCall number listed below:

Border Midlands West region

1890 777 425

Cavan, Donegal, Galway, Leitrim, Longford, Louth, Mayo, Monaghan, Offaly, Roscommon, Sligo and Westmeath.

Dublin Region

1890 333 425

Dublin (City and county).

East & South East Region

1890 444 425

Carlow, Kildare, Kilkenny, Laois, Meath, Tipperary, Waterford, Wexford and Wicklow.

South West Region

1890 222 425

Clare, Cork, Kerry and Limerick.

Remember to always quote your PPS Number when contacting your Revenue Office.

CONTACT US

PHONE: 01 704 1010
FAX: 01 242 2933
E-MAIL: pensioncustomerservice@irishife.ie
WEBSITE: www.irishlife.ie
WRITE TO: Irish Life Assurance plc,
Irish Life Centre, Lower Abbey Street,
Dublin 1.

Registered in Ireland number 152576
Vat number 9F55923G. Irish Life Assurance plc
is regulated by the Central Bank of Ireland.

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All information is current as at April 2017 and could change in the future. Pensions are long term investment plans that can only be taken in retirement.

In the interest of customer service we will record and monitor calls.

Irish Life